




Industry	Consum. Staples
Bloomberg	HMN IN
BSE CODE	531162

Healthcare and Pain management category will drive growth

RATING	HOLD
CMP	258
Price Target	274
Potential Upside	6%

Rating Change	
Estimate Change	
Target Change	

Stock Info

52wk Range H/L	357/141
Mkt Capital (Rs Cr)	11453
Free float (%)	47%
Avg. Vol 1M (,000)	190
No. of Shares (Cr)	45
Promoters Pledged %	53%

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1QFY21 Result update

- EMAMILTD's 1QFY21 revenue de-grew by 25.6% YoY to Rs. 481 cr. impacted due to lower offtakes on account of lockdown. The Company's volume declined by 28% YoY impacted on account of adverse macro-economic conditions in both domestic as well as International amidst Pandemic.
- Healthcare, Pain Management and Boroplus Range grew by 23%/15%/28% YoY led by rising consumer preference towards health & hygiene and natural pain relievers amidst prevailing macros while Navratna Cool Oil, Kesh King and Male Grooming de-grew by 41%/33%/70% YoY impacted by discretionary nature of the portfolio.
- The Company launched 12 new products in both domestic and International markets under its Boroplus, Healthcare and creme 21 range amidst COVID-19. The Company's total contribution from new launches stood at 5% wherein sanitizers and other new launches contributed to the extent of 3% and 2% respectively in 1QFY21.
- Gross margin improved by 227 bps to 66.48% YoY led by benign input prices coupled while EBITDA margin improved 476 bps to 26% YoY led by steep decline in Ad & P spends by 746 bps to 12.4% YoY.
- PAT grew by 1.2% YoY to Rs. 40 cr. With PAT margin at 8.2%.
- The Company has concluded the buyback procedure in July-20 acquiring 94.2 lakh share for Rs. 192 cr. Post buyback the promoters stake stands at 53.86% as of now.

View and Valuation

EMAMILTD's 1QFY21 numbers remained impacted due to lockdown amidst pandemic with volume decline of 28% YoY. Going Forward, the company's healthcare, Boroplus and Pain management range are expected to grow led by high consumer divergence amidst COVID-19, further the company has already launched 12 new products and will continue to bring in more new products (20-30 new launches) in the categories while discretionary portfolio are expected to remain subdued for medium term on account of liquidity stress and lower disposable income. On the trade channels front, wholesale and rural channels are growing while retail and MT are still under stress due to vertical lockdowns in many places. On the margins front, benign input prices coupled with the company's cost saving measure and Ad & P spends rationalization will ensure margin expansion. Considering the above statements and prevailing macro-economic scenario of vertical lockdown we maintain our HOLD rating on the stock with a target price of Rs. 274.

Key Risks to our rating and target

- Further economic slowdown.
- Steep increase in crude and mentha oil prices.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20	FY21E
Net Sales	2533	2531	2693	2655	2364
EBITDA	759	719	726	691	708
EBIT	451	409	400	354	500
PAT	340	306	303	302	408
EPS (Rs)	7	7	7	7	9
EPS growth (%)	-6%	-10%	-1%	0%	35%
ROE (%)	19%	15%	15%	17%	21%
ROCE (%)	23%	17%	18%	17%	24%
BV	39	44	46	40	43
P/B (X)	14.5	11.8	7.5	5.7	5.9
P/E (x)	74.7	77.8	51.2	34.4	28.7

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1QFY21 Results

Below expectation

Financials	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY %	QoQ%	FY19	FY20	Fig in Rs Cr
										YoY %
Net Sales	650	660	813	533	481	-25.9%	-9.6%	2,693	2,655	-1.4%
Other Income	11	16	16	14	7	-36.9%	-53.8%	37	57	56.0%
COGS	232	200	258	186	161	-30.6%	-13.1%	923	876	-5.1%
Gross Margin	64%	70%	68%	65%	66%	2.3%	1.3%	66%	67%	1.3%
Adv. Expenses	129	105	138	99	60	-53.7%	-39.6%	470	471	0.2%
Empl. Cost	77	75	75	72	78	1.1%	8.4%	280	300	7.1%
Other Exp.	76	87	77	78	59	-21.9%	-23.7%	295	318	7.8%
EBITDA	135	193	264	99	123	-8.9%	24.8%	726	691	-4.8%
EBITDA Mar.	21%	29%	32%	18%	26%	4.8%	7.1%	27%	26%	-0.9%
Depreciation	20	18	21	22	19	-5.0%	-11.8%	325	336	3.4%
EBIT	51	111	178	13	48	-6.1%	262.6%	400	354	-11.5%
Interest	4	9	5	2	5	8.0%	95.0%	21	21	-1.8%
PBT	58	118	189	25	50	-12.9%	97.8%	415	390	-6.0%
Excep. Item	-	-	3	7	-	-	-	-	-	-
Tax	18	21	40	(7)	9	-46.4%	-228.6%	101	71	-29.4%
PAT	39	96	144	23	40	1.2%	74.0%	303	302	-0.1%
PAT Margin	6%	15%	18%	4%	8%	2.2%	4.0%	11%	11%	0.2%

Concall Highlights

Management Guidance:

- The Company will also introduce a new brand with different range of products in home and hygiene category in coming months.
- The Company has lined up slew of new launches in Health & Hygiene category (20-30 launches).
- Kesh king and male grooming has improved in July-20.
- The Management expects Ad & P will be in a range of 17-18% for FY21. There will be significant increase in Ad & P spends in coming quarters on account of new launches.
- Going ahead amortisation spends will go down to Rs. 25 cr. per quarter and will exist for next 5 years on account of acquisition of intangibles for Kesh king.
- Expected Tax rate for FY21 to be in a range of 19-20%.
- Savings in other expense will sustain in coming quarters led by cost saving measures undertaken by the company.
- The Management expects EBITDA margin to improve in coming quarters led by lower other expense and GM expansion.
- The Management expects total 5% contribution from new products for FY21.
- Expected CAPEX-RS. 80 cr.
- The Management expects contribution of more than 10% from zandu portfolio in FY21.
- The Company's International Business has also performed well in July and has also launched number of brands under crème 21 in various geographies.
- The Company will maintain last year kind of dividend payout.
- Expected Tax rate for FY21 & FY22-20%.

1QFY21 Result Update:

- For the Company wholesale and rural channels are growing while retail and MT are still under stress.
- The Company's volumes declined by 28% and pricing stood at 1.5% in 1QFY21.
- Amidst pandemic the company has corrected its debtors and creditors days to 18-19 days/3-4 days (as of now) from 29 days/15 days (in 4QFY20).
- For the Company sachets contributed in a range of 32-33% in 1QFY21.
- Zandu is growing significantly from past 3-4 months. Zandu portfolio earlier contributed to the extent of Rs. 16. Cr. Per month before COVID-19 which has now increased to Rs. 23-24 cr. per month as of 1QFY21.
- Chyawanprash and honey sales increased by 7 times & 5 times in 1QFY21 vs. previous corresponding quarter.
- The Company's total contribution from new launches stood at 5% wherein sanitizers and other new launches contributed to the extent of 3% and 2% respectively in 1QFY21.
- Promoters pledge as of 1QFY21 stood at 55% led by completion of sale of emami cement business and will further reduce to 50% in next few days.

Exhibit: Sales and Sales Growth

Domestic volumes remained impacted due to lockdown resulting into sales de-growth of 26% YoY.

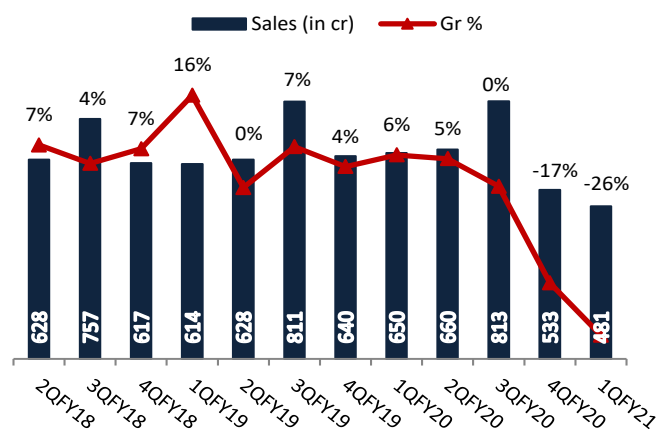


Exhibit: Gross and EBITDA Margin

GrossM. expansion led by benign input price; EBITDAM. expansion was driven by reduction in Ad & P spends.

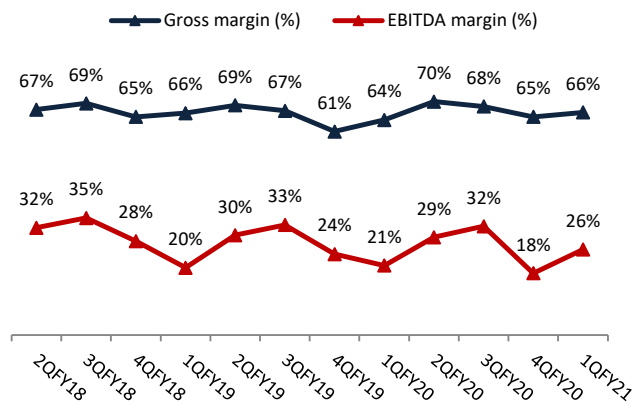


Exhibit: Other Expenses

Other expense increased by 63 bps to 12.3% YoY while Ad & P spends declined by 746 bps to 12.4% YoY.

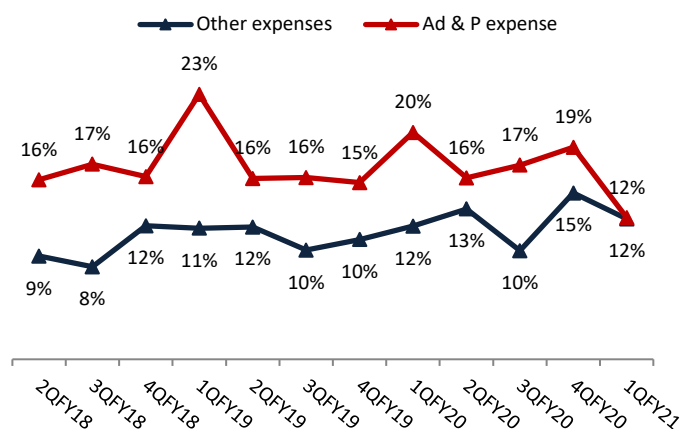


Exhibit: PAT and PAT Growth

PAT grew by 1.2% YoY to Rs.40 cr. with PAT margin at 8.2% in 1QFY21.

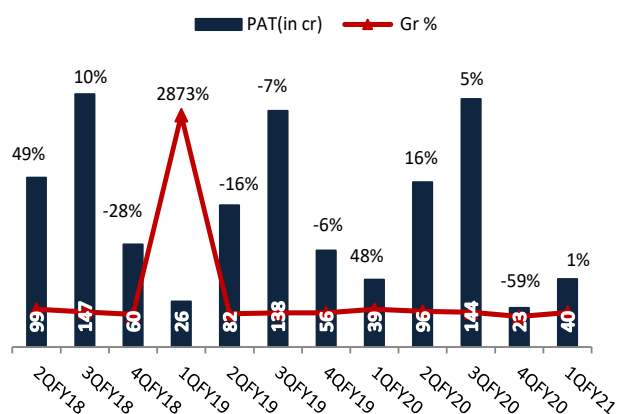
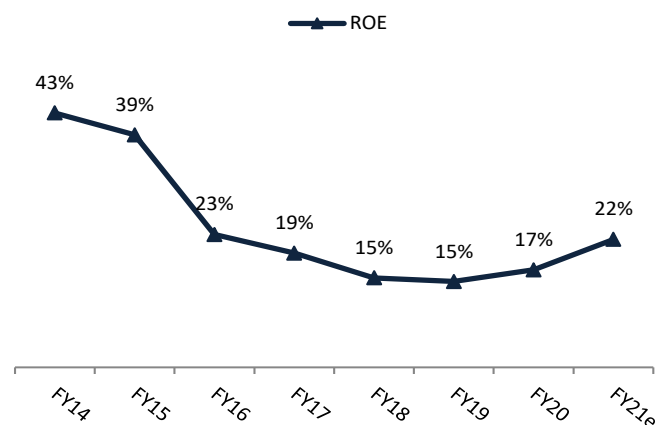


Exhibit: Return on Equity

ROE is expected to be at 22% in FY21.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Share Capital	23	23	23	23	23	45	45	45
Reserves	909	1,208	1,589	1,732	1,991	2,031	1,778	1,929
Networth	932	1,231	1,612	1,755	2,014	2,076	1,824	1,974
Debt	22	19	671	173	326	110	210	110
Other Non Current Liab	22	41	46	80	73	66	63	63
Total Capital Employed	954	1,250	2,283	1,928	2,340	2,186	2,034	2,084
Net Fixed Assets (incl CWIP)	408	478	2,037	2,011	1,828	1,712	1,467	1,419
Non Current Investments	7	7	35	94	186	179	88	88
Other Non Current Assets	42	48	114	49	86	40	37	37
Non Current Assets	457	532	2,187	2,155	2,100	1,973	1,645	1,596
Inventory	141	127	151	179	194	222	245	195
Debtors	79	103	131	97	156	216	308	190
Cash & Bank	270	354	108	50	16	116	11	96
Other Current Assets	355	561	115	132	271	208	362	576
Current Assets	846	1,144	505	458	701	849	1,033	1,056
Creditors	143	193	249	185	242	291	324	256
Provisions	121	112	50	59	62	115	145	506
Other Current Liabilities	62	80	65	361	82	157	101	138
Curr Liabilities	326	385	363	605	388	570	582	506
Net Current Assets	519	759	142	(147)	313	279	452	550
Total Assets	1,302	1,676	2,692	2,613	2,801	2,822	2,678	2,653

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Revenue from Operation	1,821	2,217	2,398	2,533	2,531	2,693	2,655	2,364
Change (%)	7%	22%	8%	6%	0%	6%	-1%	-11%
EBITDA	505	535	687	759	719	726	691	708
Change (%)	14%	6%	28%	10%	-5%	1%	-5%	3%
Margin (%)	28%	24%	29%	30%	28%	27%	26%	30%
Depr & Amor.	96	34	255	309	311	325	336	208
EBIT	409	501	432	451	409	400	354	500
Int. & other fin. Cost	5	5	54	58	34	21	21	22
Other Income	62	96	44	31	20	37	57	37
EBT	466	592	423	424	394	415	390	515
Exp Item	(9)	-	-	-	-	(10)	11	-
Tax	55	107	60	84	86	101	71	103
Minority Int & P/L share of Ass.	(0)	(0)	(0)	(0)	-	-	-	-
Reported PAT	402	486	364	340	306	303	302	408
Adjusted PAT	410	486	364	340	306	310	294	408
Change (%)	30%	18%	-25%	-6%	-10%	1%	-5%	39%
Margin(%)	23%	22%	15%	13%	12%	12%	11%	17%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
ROE	43%	39%	23%	19%	15%	15%	17%	21%
ROCE	43%	40%	19%	23%	17%	18%	17%	24%
Asset Turnover	1	1	1	1	1	1	1	1
Debtor Days	16	17	20	14	22	29	42	29
Inv Days	28	21	23	26	28	30	34	30
Payable Days	29	32	38	27	35	39	45	39
Int Coverage	76	98	8	8	12	19	17	23
P/E	25	47	64	75	78	51	34	29
Price / Book Value	11	18	15	14	12	7	6	6
EV/EBITDA	29	42	34	33	33	43	30	16
FCF per Share	8	9	9	10	10	4	4	8
Div Yield	1.6%	0.7%	0.3%	0.8%	0.5%	0.5%	1.3%	1.8%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
PBT	466	592	423	424	394	403	374	511
(inc)/Dec in Working Capital	60	73	(56)	23	(61)	(74)	(80)	210
Non Cash Op Exp	41	31	263	314	311	322	329	208
Int Paid (+)	(38)	(52)	43	56	34	21	21	22
Tax Paid	(77)	(96)	(96)	(71)	(81)	(93)	(76)	(103)
others	(24)	(15)	(15)	(16)	(9)	(29)	(46)	-
CF from Op. Activities	428	534	562	730	588	554	531	848
(inc)/Dec in FA & CWIP	(65)	(110)	(1,816)	(285)	(124)	(139)	(159)	(159)
Free Cashflow	363	424	(1,255)	444	464	415	372	689
(Pur)/Sale of Inv	(138)	(284)	429	(76)	(240)	84	(61)	(332)
others	61	160	81	64	84	24	52	-
CF from Inv. Activities	(142)	(234)	(1,306)	(297)	(279)	(23)	(228)	(491)
inc/(dec) in NW	-	-	-	-	-	-	-	-
inc/(dec) in Debt	75	2	636	(198)	(184)	(219)	17	(101)
Int. Paid	5	(5)	(52)	(58)	(34)	(21)	(21)	(22)
Div Paid (inc tax)	221	(212)	(82)	(235)	(142)	(190)	(419)	(257)
others	-	-	-	(4)	37	3	83	-
CF from Fin. Activities	301	(215)	502	(496)	(324)	(428)	(405)	(380)
Inc(Dec) in Cash	590	81	(249)	(72)	(12)	100	(106)	(23)
Add: Opening Balance	281	268	350	101	28	16	116	119
Closing Balance	871	350	101	28	16	116	11	96

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